



# BUYING BROADBAND A BOOST

THE INFORMATION SUPER BUY-WAY?

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NATIONAL INSTITUTE ON  
MONEY IN STATE POLITICS

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KENTUCKY CLAIMS TO HAVE PROVIDED BROADBAND SERVICES TO AN EYEBROW-RAISING 95 percent of households in the state.<sup>1</sup> The Alabama Broadband Initiative is an effort by the governor's office to bring broadband access to every community in that state. "Expanding broadband access is essential if our communities are to remain competitive in today's 21<sup>st</sup> century economy," Alabama Gov. Bob Riley stated.<sup>2</sup> Hawaii, too, is endeavoring to boost broadband access through legislative efforts.<sup>3</sup> Yet many areas and homes throughout the nation still do not have access. In response, the federal government and many state governments are making efforts to increase or improve access to broadband services.

With this level of attention in the states, it's no surprise that communications companies are spending millions of dollars on state campaigns and hiring thousands of state-level lobbyists.

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The American Recovery and Reinvestment Act, the stimulus bill passed by Congress and signed by President Obama on February 17, contains \$7.2 billion for broadband development. Lobbyists for AT&T and Verizon are pushing to have the money in this bill used exclusively to extend broadband services to unserved areas, while other phone companies and consumer advocates are pressing to have the money spent to improve services in areas with limited access. Other phone companies and cable providers are trying to have some of the bill's money spent on stimulating demand from consumers who have access to broadband services.<sup>4</sup>

The Universal Service Fund (USF) is a \$4.5 billion-per-year fund created by Congress in 1997 to subsidize phone companies that provide service in rural areas.<sup>5</sup> The USF currently does not provide funding for broadband service expansion, but some lawmakers and companies now are pressing for it to begin doing so, saying that broadband services today are a necessary part of communications infrastructure.<sup>6</sup> Communications companies such as AT&T, Verizon, Qwest Communications, Embarq Corp, and United States Cellular Corp are also suggesting other modifications to the USF, such as instituting a competitive bid process for fund grants, and weighing in on how much expansion to rural areas is feasible. Embarq

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<sup>1</sup> Rebecca Cole, "Kentucky a Model for Broadband Expansion," *Chicago Tribune*, Feb. 22, 2009, available from [http://www.chicagotribune.com/news/nationworld/chi-wired\\_bdfeb22.0.6274484.story](http://www.chicagotribune.com/news/nationworld/chi-wired_bdfeb22.0.6274484.story), accessed March 20, 2009.

<sup>2</sup> "\$250,000 Grant Awarded for Broadband Expansion Effort," *State of Alabama Office of the Governor*, available from <http://governorpress.alabama.gov/pr/pr-2008-09-19-01-broadband.asp>, accessed March 20, 2009.

<sup>3</sup> "Governor, Legislators Back Broadband Expansion," *Hawaii Free Press*, Jan. 28, 2009, available from <http://hawaiifreepress.com/Main/ArticlesMain/tabid/56/articleType/ArticleView/articleId/332/Governor-Legislators-back-broadband-expansion.aspx>, accessed March 20, 2009.

<sup>4</sup> Amy Schatz, "Firms Face Off on Broadband Spending," *Wall Street Journal*, March 17, 2009, available from <http://online.wsj.com/article/SB123724698865948791.html>, accessed March 18, 2009.

<sup>5</sup> "Purpose of the Universal Service Fund," *Universal Service Administrative Company*, available from <http://www.usac.org/about/universal-service/purpose-of-fund/>, accessed March 19, 2009.

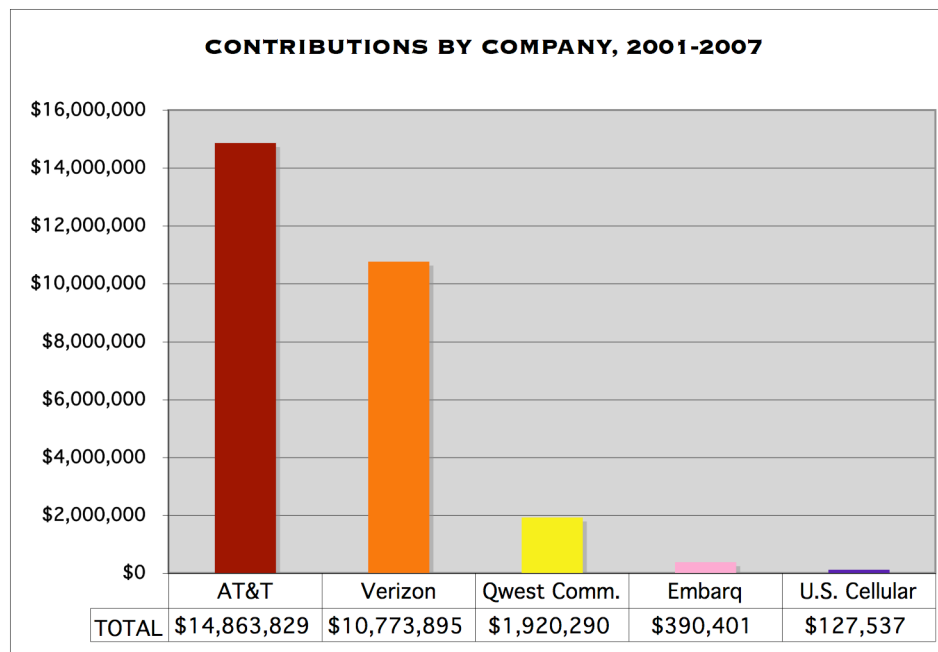
<sup>6</sup> Kim Dixon, "U.S. Phone Companies Spar Over Universal Fund Fix," *Reuters*, March 12, 2009, available from <http://www.reuters.com/article/technologyNews/idUSTRE52B6P920090312>, accessed March 18, 2009.

Corp CEO Thomas Gerke has stated that it would cost the company \$2 billion to provide Internet access to all of its customers.<sup>7</sup>

## METHODOLOGY

The National Institute on Money in State Politics examined contributions from AT&T, Verizon, Qwest, Embarq, and U.S. Cellular to state-level candidates and political parties from 2001 through 2007, and to ballot measure committees from 2004 through 2007.<sup>8</sup> The Institute examined contributions only from the companies themselves, not from individuals working for the companies.

The Institute also examined the number of lobbyists hired by each company in 2006 and 2007.<sup>9</sup> To accurately measure lobbying presence, and to make the lobbying presence comparable between a company that hired the same person and a company that hired different people for each year and state, the Institute created lobbyist figures by counting the people in each state in each year as separate lobbyists. If the same person lobbied for an organization in multiple years, that person was counted as a lobbyist each year. Likewise, if a person lobbied for an organization in multiple states, that person was counted as a lobbyist once for each state. For example, if John Smith lobbied for Manufacturing Company in Iowa, Indiana, and Wisconsin during 2006, 2007, and 2008, he would be counted as a lobbyist nine times: three times in Iowa (once for each year), three times in Indiana (once for each year), and three times in Wisconsin (once for each year).



<sup>7</sup> "Lawmakers Mull Phone Subsidy Overhaul With Internet Access," *Wall Street Journal*, March 12, 2009 available from <http://online.wsj.com/article/BT-CO-20090312-713400.html?mod=wsjcmain>, accessed March 20, 2009.

<sup>8</sup> The Institute began collecting ballot measure information in 2004.

<sup>9</sup> The Institute has lobbyist data for 2006 and 2007 in 49 states. Michigan does not provide a list connecting registered lobbyists with their clients.

## CONTRIBUTIONS AND LOBBYING

Communications companies with a major stake in this issue have made substantial campaign contributions to state-level politics over the last several years. From 2001 through 2007, five companies – AT&T, Verizon, Qwest, Embarq, and U.S. Cellular Corp – contributed about \$28 million to state candidates, party committees and ballot measures in all 50 states. They also hired about 2,600 lobbyists in 2006 and 2007.<sup>10</sup>

### CONTRIBUTIONS

AT&T and Verizon gave most of the money to candidates, state party committees and ballot measures: more than \$10 million each. Qwest followed with \$1.9 million.

**TOTAL CONTRIBUTIONS BY MAJOR  
BROADBAND COMPANIES, 2001–2007**

COMPANY	TOTAL
AT&T	\$14,863,829
Verizon	\$10,773,895
Qwest Communications	\$1,920,290
Embarq	\$390,401
U.S. Cellular Corp	\$127,537
<b>TOTAL</b>	<b>\$28,075,952</b>

Candidates and committees in 10 states received nearly \$22 million (78 percent of the money). California received by far the most, with \$8.2 million. Florida, Texas, Illinois, South Dakota, Virginia and New York also received seven-figure amounts.

**TOP STATE RECIPIENTS, 2001–2007<sup>11</sup>**

STATE	TOTAL RECEIVED
California	\$8,173,281
Florida	\$2,843,080
Texas	\$2,113,497
Illinois	\$2,100,211
South Dakota	\$1,641,416
Virginia	\$1,461,815
New York	\$1,455,782
Pennsylvania	\$722,669
Indiana	\$678,893
Missouri	\$652,495
<b>TOTAL</b>	<b>\$21,843,139</b>

<sup>10</sup> The Institute started collecting lobbyist data nationwide in 2006.

<sup>11</sup> See Appendix A for a full list of how much each state received.

Candidates, as a whole, received about \$14.5 million from the five communications companies, split nearly evenly between the two major parties. Republican candidates received \$7.6 million; Democratic candidates \$6.8 million. Two candidates received more than \$200,000 each from 2001 through 2007. Former California Gov. Gray Davis received \$284,196 for his successful 2002 gubernatorial campaign.<sup>12</sup> The other candidate to receive more than \$200,000 was Texas Gov. Rick Perry, who received \$205,000 from 2002 through 2006.

State political parties received \$9.5 million: \$6 million given to Republican parties and about \$3.5 million to Democratic parties.<sup>13</sup>

The five companies also spent \$4.1 million from 2004 through 2007 trying to influence the outcome of ballot measures in 14 states.

#### **TOTAL RECEIVED BY RECIPIENT TYPE**

<b>TYPE OF RECIPIENT</b>	<b>TOTAL</b>
Legislature	\$11,211,022
State Political Parties	\$9,475,084
Ballot Measure Committees <sup>14</sup>	\$4,131,028
Governor/Lieutenant Governor	\$2,116,366
Other Statewide Offices	\$1,124,663
Slate Committees <sup>15</sup>	\$17,790
<b>TOTAL</b>	<b>\$28,075,953</b>

Of the \$4.1 million given to ballot measure committees, \$2 million went to oppose California's Proposition 67 in 2004. This measure, which failed, would have increased certain phone surcharges to provide about \$500 million annually to fund physicians and hospitals for uncompensated emergency medical care.<sup>16</sup> Another \$1.6 million went to support Measure 8 in South Dakota in 2006. This initiative, which failed, would have repealed the 4 percent gross receipts tax on wireless telecommunications. The total collected from this tax was estimated at \$8.5 million in 2005.<sup>17</sup>

<sup>12</sup> AT&T also provided a \$25,000 contribution to the "Governor Gray Davis Committee", Davis' ballot measure committee to oppose his recall in 2003.

<sup>13</sup> References to Democratic Party recipients in this report include recipients affiliated with the Democratic-NPL party in North Dakota and the Democratic-Farmer-Labor party in Minnesota.

<sup>14</sup> Ballot Measures data covers 2004-2007 period

<sup>15</sup> In Maryland and New Jersey, candidates join together to form "slate committees."

<sup>16</sup> "Official Voter Information Guide: California General Election November 2004," *California Secretary of State*, available from <http://vote2004.sos.ca.gov/voterguide/propositions/prop67-title.htm>, accessed March 23, 2009.

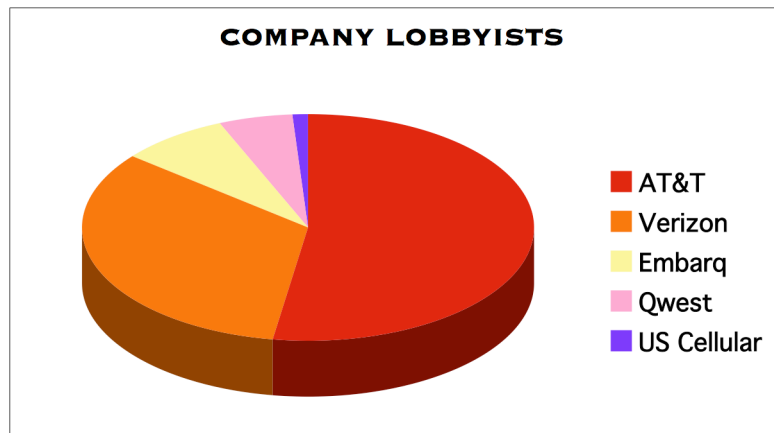
<sup>17</sup> "2006 South Dakota Ballot Question Attorney General Explanations," *South Dakota Secretary of State*, available from [http://www.sdsos.gov/electionsvoteregistration/upcomingelection\\_2006BQExplanations.shtml](http://www.sdsos.gov/electionsvoteregistration/upcomingelection_2006BQExplanations.shtml), accessed March 27, 2009.

## LOBBYING

The five telecommunications companies hired 2,609 lobbyists in 2006 and 2007. AT&T was the only business to hire more than 1,000 lobbyists. Verizon, Embarq and Qwest all had 100 or more, while U.S. Cellular hired only 26 lobbyists.

**LOBBYISTS BY ORGANIZATION**

ORGANIZATION	NUMBER OF LOBBYISTS
AT&T	1,373
Verizon	868
Embarq	199
Qwest	143
US Cellular	26
TOTAL	2,609



—END—

## APPENDIX A

### VERIZON, AT&T, EMBARQ, QWEST, AND US CELLULAR CONTRIBUTIONS BY STATE, 2001-2007

STATE	TOTAL
Alabama	\$3,100
Alaska	\$20
Arizona	\$40,024
Arkansas	\$49,020
California	\$8,173,281
Colorado	\$338,089
Connecticut	\$86,002
Delaware	\$48,312
Florida	\$2,843,080
Georgia	\$294,472
Hawaii	\$46,529
Idaho	\$220,375
Illinois	\$2,100,211
Indiana	\$678,893
Iowa	\$355,466
Kansas	\$166,460
Kentucky	\$25,178
Louisiana	\$232,509
Maine	\$129,458
Maryland	\$343,587
Massachusetts	\$15,119
Michigan	\$264,372
Minnesota	\$4,560
Mississippi	\$217,750
Missouri	\$652,495
Montana	\$6,230
Nebraska	\$70,665
Nevada	\$237,451
New Hampshire	\$45,249
New Jersey	\$461,386
New Mexico	\$200,879
New York	\$1,455,782
North Carolina	\$94,015
North Dakota	\$30,325
Ohio	\$384,401
Oklahoma	\$144,210
Oregon	\$467,637
Pennsylvania	\$722,669
Rhode Island	\$9,490
South Carolina	\$107,350
South Dakota	\$1,641,416

STATE	TOTAL
Tennessee	\$36,121
Texas	\$2,113,497
Utah	\$269,712
Vermont	\$12,200
Virginia	\$1,461,815
Washington	\$636,879
West Virginia	\$1,000
Wisconsin	\$97,218
Wyoming	\$39,995
<b>TOTAL</b>	<b>\$28,075,953</b>